

Romania

Dr Cristina Petcu, May 2005

1. The country

The 1859 union of the Romanian principalities of Moldavia and Wallachia founded the modern state of Romania. Romania is situated at the junction of the Central and Eastern Europe, north of the Balkan Peninsula, crossed by the Carpathian Mountains arch and bordered by the Lower Danube and the Black Sea. To the NE and E it neighbors on the Republic of Moldova (681.3 km), to the N and E on Ukraine (649.4 km), to the SE on the Black Sea (193.5 km), to the S on Bulgaria (631.3 km), to the SW on Serbia and Montenegro (546.4 km) and to the W on Hungary (448.0 km). After the 1st World War the third Romanian principality, Transylvania, joined Romania. The state was at that time a royal democracy and the 1923 Constitution was one of the most democratic constitutions in Europe. After the 2nd World War a part of the Eastern Moldavia became a soviet republic (currently the Republic of Moldova) and some counties were incorporated into the Ukraine. In 1947 the monarchy was abolished and the communist dictatorship instaurated. After the 1989 Revolution the country returned to democracy. Currently Romania is a NATO member and is expected to join the European Union by January 1st 2007.



Bucharest is the capital and the largest city in Romania. It is the most important political, administrative, economic, financial, banking, education, scientific and cultural center.

The area of Bucharest is approximately 228 sq. km. The city is populated with 2,016,000 (1992 census), accounting for 9% of the country's total population and responsible for 15% of the GDP. The cities of Iasi, Brasov, Cluj-Napoca, Timisoara, Craiova, Constanta, Pitesti and Ploiesti also exceed 300,000 inhabitants.

The district / county (judet) is the basic administrative unit of the country. Towns and communes are smaller administrative units. There are 41 counties (with Bucharest accounting as a distinctive administrative unit), with an average population of 550,000 inhabitants (ranging from 232,951 to 874,219 population – 1992 census).

The 1992 census found that 89.4% of the total population (22,387,000 inhabitants) is Romanian and 10.6% is made up of ethnic minorities. There are 1,624,959 Hungarians (7.1%), 401,087 Gypsies (1.7%), 119,462 Germans (0.5%), 65,764 Ukrainians (0.3%), and 8,955 Jews (0.04%). As for religion, 19,802,389 people (86.8%) are Eastern Orthodox, 1,161,942 Roman Catholic (5%), 802,454 Reformed (3.5%), 223,327 Greek Catholic (1%), 220,824 Pentecostal (1%), 109,462 Baptist (0.5%), 77,546 Adventist (0.3%), 76,708 Unitarian (0.3%), 55,928 Muslim (0.2%), 49,963 Church of Christ (0.2%), 39,119 Evangelical of Augustan Confession (0.2%) 28,141 Old Rite Church (0.1%), 21,221 Evangelical Presbyterians (0.1%), 56,329 other denominations (0.2%), 34,645 freethinkers (0.15%). The official language is Romanian, but ethnic minorities are entitled to use their native language in private life, education as well as in the judicial and administration systems.

The 2004 GDP was 2,387,914.3 bln ROL (1 EUR approximately 37,000 ROL), an 8.3% increase compared to 2003. Of that the services accounted for 44.1%, industry for 27.0%, agriculture and forestry - 13.0% and constructions 6.1%. The investments accounted for 309,356.2 bln ROL in 2004, 8.2% increase. In December 2004 there were 562,700 unemployed persons, of whom women were 41.1%. The average unemployment rate in 2004 was 6.3%, with the capital, Bucharest - one of the lowest in the country - 2.7%. The inflation rate in 2004 was 8.4%. Source: National Institute for Statistics.

The 1991 Constitution established Romania as a parliamentary republic. The Parliament consists of the Chamber of Deputies and the Senate, is elected by universal suffrage for a four-year term and holds the legislative power. The Parliament swears in the Prime Minister, who leads the Government as the executive power. The President is the head of state and the supreme commander of the armed forces and is elected for a maximum two five-year terms. Currently the Prime Minister is Calin Popescu-Tariceanu and the President is Traian Basescu (elected in December 2004).

The lowest administrative authorities are the local councils whose mayors hold executive power in the community. Both the local councils and the mayors are directly elected for a four-year term. Above the local council the next level is the county council, which coordinates the activity of the local councils. The relationship between the local council and the county council is based on the principles of local autonomy and decentralisation of the public services. Central government is represented at local level by prefects, who are

appointed by the Government and hold the attributions to co-ordinate and supervise the public services.

The Ministry of Food and Agriculture regulates the alcohol production and licensing. The Ministry of Finance regulates the taxation policy and the Ministry of Health deals with the health issues. In December 2002 the Government established the Anti-drug national Agency, a specialised institution functioning under the authority of the Ministry of Internal Affairs. The Agency is responsible for the implementation of the National Anti-drug Strategy. One of the objectives concerns the addiction from a global perspective, taking into account the substances prone to addiction, including alcohol and tobacco.

The Consumer's Protection Authority regulates consumer's issues. Radio and TV advertising is controlled by the National Council of Audio-Visual. Manufacturers associations in the field of alcohol production and NGOs are often consulted when decisions in the alcohol policy are taken. As a candidate country to EU accession Romania is implementing European practices in the field of alcohol. The Ministry of European Integration is co-ordinating the legislative alignment and is offering technical support to the central authorities through the European integration advisers.

2. Alcohol consumption

Alcohol consumption in Romania recorded an ascending trend from 1960 to 1981, when was recorded a peak of almost 13 litres per capita (age 15+). Since then it is recorded a steadily descending trend. Wines use to account for half of the consumption and the spirits were the least preferred. Situation seems to change from 1997 when beers started to increase their shared market due to better pricing and better marketing.

A research of the wine market in Romania was recently released (MEMRB – Source: Ziarul Financiar, April 7 2005). According to the source the wine market in Romania was 310 mln euros in 2004. Of the market share, the sweet wines recorded a decrease from 18.2% in 2003 (February 2003 – January 2004) to 13.4% in 2004 (February 2004 – January 2005). The dry wines decreased from 22% (2003) to 20.9% (2004), while the half-dry and half-sweet wines recorded an increase from 19% (2003) to 21.4% (2004) and from 37% (2003) to 39% (2004), respectively. Of the table wines red wines accounted for 17.1% in 2003 and 16.7% in 2005, while the white wines recorded the remaining 82.9% and 83.3% respectively. Analysts say that sweet wines still have an important prevalence because they are not necessarily associated with certain meals. The trend is showing that the Romanian wine drinkers have the tendency to follow the EU pattern. Of total sales the quality wines accounted for 49.6% in 2003 and 48.3% when considering volume of sales, but recorded a steadily 80.8% compared to 19.2% table wines of value sales. Quality wines are marketed mainly (99%) in bottles of 0.7 and 0.75 litres.

Recorded adult per capita consumption (age 15+)



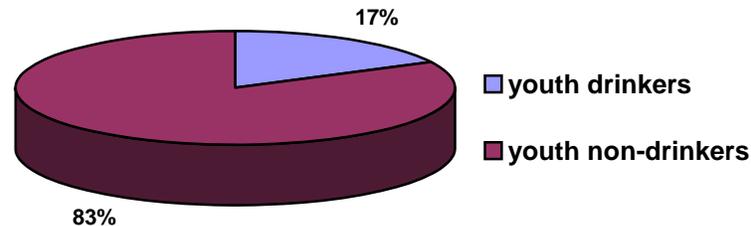
Sources: FAO (Food and Agriculture Organisation of the United Nations), World Drink Trends 2003

According to the same market research company (source: Cotidianul, June 28 2004) the beer consumption increased by more than 50%, from 6.5 million hl in 2001 to 9 million hl in 2003. The wines doubled the prices from 2001 to 2003, the median price being 37,000 ROL / l in 2001 and 67,000 ROL / l in 2003. Of the same time span, the median beer price increased by 40%, from 20,000 ROL / l to 27,000 ROL / l. (The figures did not take into account the inflation). When considering volumes, Romanians drank 15 litres of beer for each litre of wine in 2003.

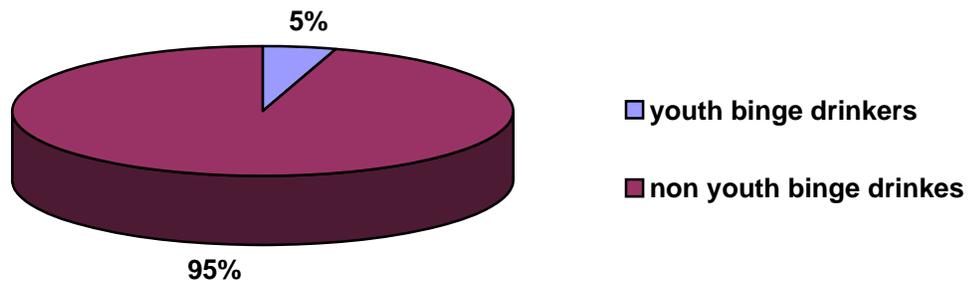
Unrecorded alcohol consumption is estimated to reach 4 litres of pure alcohol per inhabitant older than 15 years per year. This alcohol is mostly homemade and consists of traditional spirits (tuica, palinca, rachiu) made of fruits such as plums, pears and apples, wines and liquors (e.g. sour cherry liquor). Foreign tourists have the opportunity to find international alcoholic brands they use to drink in their own countries or can opt for traditional alcoholic beverages, especially in rural guesthouses tourist circuits. Travellers use to buy some beverages from duty-free shops in international airports, but the quantities are not significant. Smuggling is also unimportant. Rarely, renowned international spirits manufacturers reported some false products under their brand on the market, but the police and the judicial system successfully solved the situations.

An average 38% of population reported abstinence last year (23% of males and 53% of females). ESPAD 2003 (The European School Survey on Alcohol and Other Drugs) study in Romania was performed on a sample of 4371 students 16 years old, of which 1856 (42.46%) were males and 2515 (57.54%) were females. Of them 17.4% (25.5% of

the males and 11.4% of the females) admitted more than 40 times alcohol consumption during their lifetime. 2.3% males and 3% females were non-responders.



201 (4.7%) students admitted to have at least 5 drinks in row for at least 3 times during the past 30 days. Of them 151 were males (8% of male students) and 50 were females (2% of the female students). Source: The National Institute for Health Research and Development, Bucharest, Romania



3. Alcohol production and trade

Domestic production of alcohol steadily increased for the last decade. The production of spirits was 574,000 hl of equivalent pure alcohol in 1993, peaks 792,000 hl in 1995 and registered 409,000 hl in 2003. The production of wine was 6,549,000 hl in 1993 peak 8,425,000 hl in 1994 and registered 5,252,000 hl in 2003. The production of beer was 9,929,000 hl in 2003 and peaks 11,602,000 hl in 2003. (Source: National Institute for Statistics). This dramatic increase can be explained by low cost of beer compared to wines and spirits and to better marketing strategies of the beer manufacturers, which lead to an increase in the shared market. The consumption of alcohol is mainly from domestic sources, as only renowned international brands of spirits and wines are imported, while renowned international beer manufacturers opened domestic production plants in the last years. Homemade wines and spirits are very important, as they constitute traditional

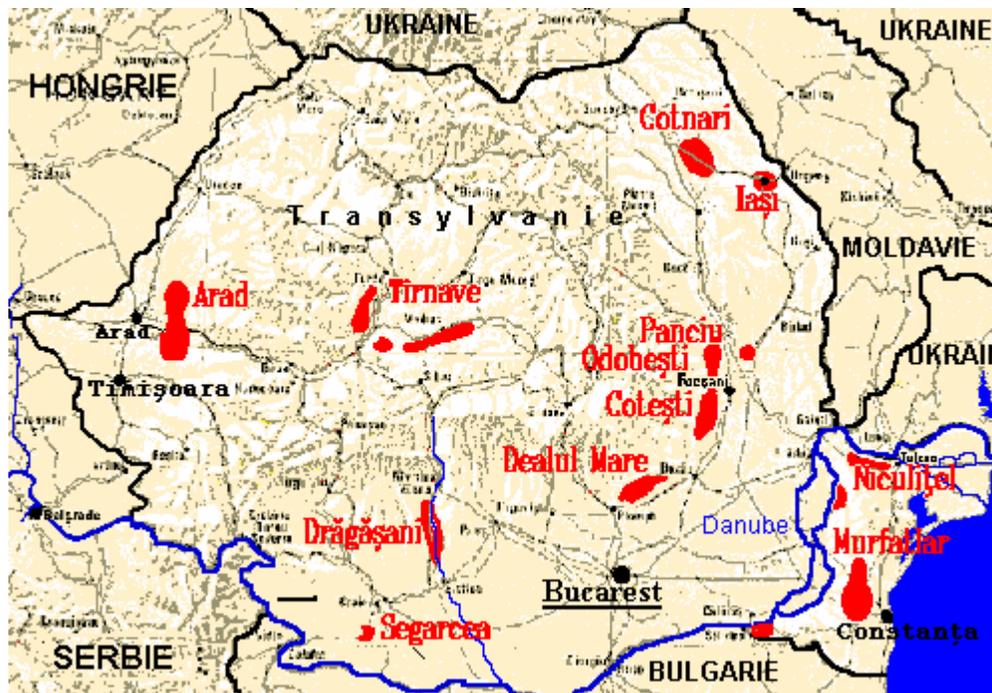
beverages. Their consumption can roughly estimated to 4 litres of pure alcohol per capita per year.

The proportion of alcohol exports on domestic production is unimportant since it accounted for only 24 million euros in 2000, 29 million euros in 201 and 27 million euros in 2002. Source: National Institute for Statistics.

The foreign trade in wine is not restricted. According to the EU accession documents (source: Ministry of European Integration, www.mie.ro) in relation with the European Union, Romania signed in Brussels, on 22 March 2001, the Trade Agreement with the EU for wine and distilled alcoholic drinks, by change of letters. Government Decision no 372/2001 approved the customs duties applicable by Romania at the import of certain wines and alcoholic drinks originating from the European Union, within tariff quotas.

A tariff quota of 60,000 hl with zero customs duties has been opened for wines, one of 1500 hl for wine brandy with 50% customs duty from MFN level and 1400 for whisky with 50% customs duty from MFN level. For mutual protection and control of origin designations of wines and alcoholic drinks, in 2001, an Agreement with the European Union was finalised.

The alcohol industry is classified by the National Institute for Statistics within the food and beverage industry. According to this authority, the food and beverage industry accounted for 14.4% of industry in 1990, peaks 19.4% in 1993 and was 12.9% of industry in 2002. The production of spirits is distributed across major cities, with the most important being the capital, Bucharest. The wine industry concentrates around traditional viticulture areas, such as Murfatlar, Niculitel, Panciu, Odobesti, Cotesti, Dealul Mare, Tarnave – Jidvei, Dragasani, Segarcea, Cotnar, Recas, Prahova, (see vineyards map below).



The beer industry concentrates around major cities. Most of the alcohol brands have good nation-wide distribution networks. Homemade spirits (tuica, palinca) and wines are very popular especially in rural areas.

Romania is a vine growing country and a member of the International Vine and Wine Office since 1928. Romania is a traditional exporter of wines recognised and appreciated on the external markets.

Based on the size of vineyard areas and productions obtained, Romania is placed among the 10 top wine countries in the world.

In the last 20 years, the vine patrimony of Romania decreased from 286.2 thou ha to 271.7 thou ha. The fertile vine area increased from 223.6 thou ha in 1990 to 247.6 thou ha in 2000, following the increase in area cultivated with hybrid vines. The wine grapes production registered a slight increase in 2000 compared to 1999. The quality wine production increased in 2000 compared to 1999 from 1030 thou hl to 1619 thou hl. In 2000, the wine grapes production amounted to 1172.4 thou tons and the wine production to 5455 thou hl (source Ministry of European Integration, www.mie.ro)

4. Administrative structure of alcohol policy

The Ministry of Agriculture sets the standards and regulations for the alcohol production and licensing. The ministry is issuing the licenses to the authorised laboratories for testing wines and other alcoholic beverages designated for export. The ministry releases regulations, along with the Ministry of health regarding the marketing of distilled alcoholic beverages (Order no. 38/160/2001). Within the Ministry of Agriculture it was established the State Inspection for Technical Control of Wines, having responsibilities for implementing the regulations for production of wine and other alcoholic beverages, technical control and technical expertise.

The Ministry of Finance regulates the taxation policy, as it is the public body in charge with monitoring and spending the public funds, in accordance with the state regulations.

The Ministry of Health deals with the health issues. The ministry is the legal entity for planning and co-ordinating the policies regarding:

- managing the state's budgetary allocations for health: the Ministry of health retains responsibility for national programmes addressing health promotion and prevention
- managing health programmes of national importance: public health programmes, non-communicable diseases and protection of the health of mother and child
- elaborate strategies and taking administrative action in the field of health promotion and health education.

At local level the Ministry is represented through 42 County Public Health Directorates in charge with developing, implementing and evaluating public health programmes,

monitoring the health status of the population in relation with the main environmental risk factors and being directly involved in public health activities.

There are also 4 Public Health Institutes (Bucharest, Timisoara, Iasi, and Cluj-Napoca). They act as technical and professional bodies of the Ministry of Health in the fields of health promotion and education. The National Institute for Health research and development has responsibilities in developing strategies for health promotion, prevention and education, identifying as a national priority the prevention of smoking and consumption of alcohol and illicit drugs.

The Consumer's Protection Authority regulates consumer's issues. Radio and TV advertising is controlled by the National Council of Audio-Visual.

The recently established National Antidrug Agency under the authority of the Ministry of Internal Affairs has responsibilities in combating addictions to alcohol and tobacco along with illicit drugs and a co-operation protocol was signed with the Consumer's Protection Authority.

The Ministry of Education and Research established health education courses with specific topics that include prevention of alcohol use among students.

There are also manufacturers associations and NGOs that have a strong voice in the field of alcohol policy.

As a candidate country for accession to EU, Romania is employing European Union policies on alcohol, as set by the Resolution of the Council of May 29th 1986 on alcohol abuse, Council Recommendation 2001/458/EC of 5 June 2001 on the drinking of alcohol by young people, in particular children and adolescents and the European Commission recommendation of January 2001 concerning the maximum authorised level of alcohol in the blood (AL) of motor-vehicle drivers. The recently adopted National Anti-Drugs Strategy 2005 – 2012 (in line with EU Anti-Drugs Strategy 2005-2012) has provisions for combating multiple addictions (drugs, tobacco and alcohol) and the National Anti-Drug Agency is co-ordinating the implementation of the strategy.

Romanian policy on alcohol is balanced, taking into account the interest involved in the production, distribution and promotion of alcoholic beverages, which constitute an important factor in the economy and the public health interest along with improving people's living and working conditions.

Romania is implementing European policies in the fields of:

- drinking driving – Blood Alcohol Concentration for driving is 0 mg/ml, and over 0,8 mg/ml is considered a criminal offence
- education, communication and public awareness
- packaging and labelling of alcohol products
- price and tax measures on alcohol (taxes have continuously grown since 1995)
- illicit trade of alcohol products
- restrictions on the availability, sales and distribution of alcohol

- sales to minors (aged less than 18 years)
- alcohol advertising, promotion and sponsorship (alcohol advertising cannot be associated with minors, driving and violent behaviour and alcohol manufacturers cannot produce alcoholic beverages targeting minors)
- preventing and treating hazardous and harmful alcohol consumption and alcohol dependence (therapies are fully covered by the National House of Health Insurance to insured people)
- encouraging research, surveillance and exchange of information

The Ministry of European Integration is co-ordinating the EU accession activity, legislative harmonisation in all fields, including the health protection, consumer's protection, financing and taxation. It is providing expertise to the central authorities through the European integration advisers. According to the Ministry of European Integration (www.mie.ro) up to now, the EU technical Regulation have been adopted into the national legislation and Romania will be ready to sign the EU Accession Treaty by April 25, 2005

The Law on Vine and Wine and its application rules has been harmonised with the EU requirements on the basis of EEC Regulations 822/1987 and 823/1987 and other technical norms.

The following legal acts have been adopted:

- Law on Vine and Wine no 67/1997; Law no 24/2001 for the approval of the Government Urgency Ordinance no 34/2000 regarding the modification and completion of Law on Vine and Wine no 67/1997 (EEC Regulation 1493/1999).
- Rules for the application of the Law on Vine and Wine approved by Government Decision no 314/1999, modified by Government Decision no 1369/2000 (EEC Regulation 1493/1999).
- Order no 86/1998 of the Minister of agriculture, food and forestry regarding the protection of traditional denominations, geographical indications and wines origin designations
- Order no 43/1991 of the Minister of agriculture, food and forestry regarding the list of recommended varieties authorised for planting in Romania
- Order no 7/1993 of the Minister of agriculture, food and forestry regarding the technical Norms for the production of high quality wines with origin designations.
- Orders no 32/1994, no 74/1995 and no 9/1997 of the Minister of agriculture, food and forestry for approval of wine origin designations.
- Order no 31/2000 of the Minister of agriculture, food and forestry, regarding the list of hybrid vines prohibited for planting, in line with EC Regulation 1493/99. The control is performed by the State Inspection for Technical Wine Control (ISCTV)
- Order no 117/2000 of the Minister of agriculture, food and forestry for approval of standard forms for viticulture database, of vine, wine and natural alcoholic drink production.
- Order no 24/2000 of the Minister of agriculture, food and forestry for approval of the List of recognised and protected geographical indications for Romanian distilled alcoholic drinks and alcoholic drinks resulted from wine and fruit processing

- Order no 4/2001 of the Minister of agriculture, food and forestry for approval of list of authorised laboratories which perform analysis on wines and other drinks for export and with origin designations as well as of the list of specialists nominated to sign documents attesting the quality of wine and other drinks made of must and wine for export, stamp indicative and the operation area for this activity (EEC Regulation 1493/1999).
- Order no 38/160/2110 of the Minister of agriculture, food and forestry and Minister of health and family regarding the marketing of distilled alcoholic drinks, Order harmonised with the provisions of EEC Regulation 1576/1989.
Distilled alcoholic drinks with recognised geographical indications are subject to control by ISCTV and the distilled alcoholic drinks obtained from vegetal raw materials (cereals and fruit) are controlled by inspectors authorised by the Ministry of Agriculture, Food and Forestry to effect the quality control and to issue production licenses.
- Government Decision no 385/2001 for updating the limits of contravention penalties provided by the Law on Vine and Wine no 67/1997.

The community acquis will be fully adopted by the following legal acts:

- 2001 – Order of the Minister of agriculture, food and forestry regarding flavoured drinks (EEC Regulation 1601/1991);
- 2002 – Order of the Minister of agriculture, food and forestry regarding the community methods for wine analysis (EEC Regulation 2676/1999);
- 2002 – Order of the Minister of agriculture, food and forestry regarding the presentation and description of sparkling and frothy wines (EC Regulation 554/1995).
- 2002 – Order of the Minister of Agriculture, Food and Forestry regarding the presentation and description of grapes wines and musts (EC Regulation 1640/2000).

Between 2002 – 2010, the consolidation of the existing vine patrimony should be achieved, on 250 000 ha, representing the fertile area, by the replacement of hybrids prohibited for planting with vine varieties recommended and authorised, from the variety *Vitis vinifera*.

Until 2007, studies will be made and data will be collected in order to include the Romanian vineyards in the vine areas of the EU, in conformity with the community methodology.

Sub-products obtained from wine processing are exclusively directed to distillation (Law on Vine and Wine no 67/97) in specialised units which hold processing licenses, except for vineyards under 0.1 ha where wines are locally distilled under the control of inspectors appointed by the Ministry of Agriculture, Food and Forestry to effect the control of wine quality and to issue production licenses.

As regards the institutional framework necessary for the implementation of the acquis the following progress has been achieved:

Based on the Law on Vine and Wine no 67/1997 and Orders no 71/1999 and no 107/1999 of the Minister of Agriculture, Food and Forestry, the State Inspection for the Technical Wine Control (ISCTV) was set up. The attributions of ISCTV refer to the application of legislation concerning the setting up and clearing of vine plantations; the control of application, through authorised laboratories or admitted practices and treatment in view of producing wine, other wine products and alcoholic drinks for the market; performance of ethnic control in all the production phases of wine and other products with origin designations as well as on the issuing of documents necessary to attest the quality of respective products, before their marketing; execution of technical expertise and analysis in the field of grapes, wine and other wine items production (EC Regulation 1493/99).

Also, based on the Law on Vine and Wine no 67/1997 and Order no 39/2001 of the Minister of Agriculture, Food and Forestry, the National Office for Origin Designations of Wines and other Wine Products (ONDOV) has been set up, with the main attribution to release to producers authorisations for the production of wines with origin designations and certificates attesting the right to market wines with origin designations.

5. Licensing policy

According to the law no.123/1995, each alcohol producer needs a license issued by the Ministry of Agriculture. The license is requested by any economic agents when establishing a new alcohol production unit and it is granted by the County General Departments of Agriculture and Food Industry under the Ministry of Agriculture, taking into account the unit endowments, the personnel professional skills, the hygienic conditions and products quality guarantee. The license is granted for each category as follows: for distilled spirits, ferment ethylic alcohol, wines, cider and/or other un-distilled beverages obtained by fermentation, beer, vinegar, non-alcoholic beverages. The license proves that the alcohol products are manufactured at the safety level and quality which ensure environment and consumer protection.

The Law no.521/2002 establishes the regime of surveillance and authorization of the production, import and marketing of some products subject to excise duties, including alcohol. This authorisation is the responsibility of the Ministry of Public Finances (for distilled spirits) and of the County General Department of Public Finances for the other alcoholic beverages (wine, beer, etc), for both retail and wholesale sectors and it is available for 12 months. When requesting the authorisation for production, import and circulation of alcoholic products, the production license is needed. The authorisation fee requested depends on the type of alcohol and the production capacity and type (i.e. for distilled spirits, internal products and a production capacity over 60,000 hl, the fee is approx. 9,000 Euro; for alcoholic beverages, wines and beer, the fee depends on the products range, if it is import or local production and the size of the on-premise stores and it can range between 200 Euro and 700 Euro- for the rural on-premise stores this fee is reduced by 50%).

The surveillance system of alcohol production is applying to all alcohol producers and importers and it is under the responsibility of Ministry of Public Finances through the County Departments.

The Decision no. 1527 from 18th December 2003 regarding the rules and the procedures for foreign trade licenses provides that the Ministry of Economy and Trade, through the General Directorate for Commercial Relations is the institution responsible for issuing these licenses which have a temporary availability. Through the Ministerial Order no 898/22 December 2004 there have been established some tariff contingents, for 2005, for the importation in Romania of certain wines and alcoholic beverages with the origin in the European Union. This has been done according to the Agreement between Romania and the European Community as change letters regarding the reciprocal establishment of some tariff contingents for certain wines ratified by the Ruling no. 16/14 January 1994.

6. Restrictions of availability

According to a national survey of the National Anti-drug Agency under the authority of the Ministry of Internal Affairs the biggest problem of Romanian people remains the alcohol consumption, which became a habit among 13 to 14 years old adolescents, 13 being the age when they start drinking. 82% of the adolescents less than 14 years old declared that they had consumed alcohol in the last 30 days. The same survey performed on a sample of 3500 persons revealed the fact that 2/3 of Romanian people consume alcoholic beverages. 70% of the adults aged of 25 to 34 years and 74% of those aged of 35 to 44 years declare that they have consumed alcohol at least once in the last three months. (Source: *Cotidianul*, 15 October 2004).

According to Law no 61/27th September 1991 for sanctioning the facts of infringement of the norms for social cohabitation, of the public safety and order, published in Official Journal no 196/27.09.1991, it is considered a minor offence providing alcohol in public places or outside in the periods of time when this is forbidden by regulations issued by local authorities or selling alcohol to the drunk persons or to persons under 18 years old. It is also forbidden the alcohol beverages consumption on the streets, in parks, show halls, sport arenas or other public places.

According to the Decision no.128/1994 a ban for the marketing of alcoholic beverages exists within education institutions and facilities as well as in their surroundings. Breaking this law represents a minor offence or an offence being punished with a fine up to 30 Euro.

A law project intends to limit the minors access to alcohol beverages after the National Authority for Consumer Protection controls that revealed the fact that, in spite legal regulations in force, alcohol is being sell near the education institutions. The future provisions would foresee special sale structures for marketing the alcoholic beverages, except from beer. On-premise stores would have the right to sell alcoholic beverages after 12,00 p.m. until the closing time, but no later than 6,00 am and the fines level would be between 12,000 Euro and 22,000 Euro for selling or for free distribution of alcoholic

beverages, wines and other ferment alcoholic beverages in public places or near them, in hours and days forbidden and in places where sport events are progressing. Similar fines would apply for selling alcoholic beverages at the entrance of medical care units or within their restaurant or in places situated less than 200m from education facilities and institutions. The fine would be supported both by the seller and by the manager of the institution in cause. (Source: *Ziarul*, 01 July 2004).

For the general elections, the Central Electoral Office decided that alcohol will be forbidden less than 500m from each voting section on the Elections day. According to CEO decision, on the Elections day, between 7,00 and 21,00 it is forbidden the marketing of any alcoholic beverage near the voting sections, less than 500m from them. This measure has been taken for avoiding conflicts or other negative manifestation. (Source: *Jurnalul National*, 30 October 2004)

7. Alcohol taxation and prices

Romania accepts the entire *acquis communautaire* on Chapter 10 – Taxation, in force on 31 December 1999. Until the date of accession, Romania will continue the approximation of the national legislation with the *acquis communautaire* and the development of the institutional infrastructure needed for its implementation, according to the commitments assumed through the European Agreement.

Regarding the value added tax, Romania accepts the entire *acquis communautaire*. The Romanian legislation on value added tax has been applied since 1 July 1993. The value added tax replaced the old cumulative tax (turnover tax) with a tax applied on transactions in each stage of the economic circuit. Subsequently, in order to harmonise it with the Community provisions in this field, the legislation on value added tax was amended. Presently, the value added tax is regulated through Government Emergency Ordinance No.17/2000 and its Norms of application, approved by Government Decision No. 401/2000. Starting with 1 January 2000, Romania applies a single VAT rate of 19%, which is in compliance with the limits established by the Sixth Directive.

In the field of excise duties, Romania accepts the entire *acquis communautaire*. The Romanian legislation on excise duties has been applied since 1 July 1993, according to the Law no.42. Subsequently, the legislation on excise duties was amended in order to be in compliance with the Community provisions. The regulations on general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products, provided in Directive 92/12/EEC are partially transposed into the Romanian legislation. In Romania the groups of products subject to excise duties are in compliance with Article 3 of the directive: alcohol and alcoholic beverages, manufactured tobacco and mineral oils.

The current legislation is partially in compliance with the provisions of Directives 92/83/EEC and 92/84/EEC.

Presently, the Romanian legislation provides distinct subgroup for “fermented beverages, other than wine and beer” or for “intermediate products”. The excise duties are lower than those imposed by the directives. Until 1 January 2007, the level of the excise duties provided by the national legislation will reach the minimum level used in the European Union, with the exception of the required transition period.

Romania requested a transition period of 5 years, until 31 December 2011 for the implementation of the minimum level of excise duties provided by Article 3 of Directive 92/84/EEC for the subgroup “alcohol and alcoholic beverages”.

This request is motivated through the following:

1. The Romanian experience in this field reveals that establishing the excise duty for alcoholic beverages at EUR180 /hl of pure alcohol led to an increase of the tax evasion. Thus, while the consumption was the same, the legal sales of alcoholic beverages have lowered. The lowering of the legal sales of alcohol and alcoholic beverages led to the lowering of the state revenues from excise duties and to the increasing of the unfair competition between the honest economic agents and those who are on the “black market”. In order to implement a fiscal discipline among the economic agents, the Romanian authorities have decided to decrease the excise duty for reaching an optimal sale price and, at the same time, the penalties for smuggling were increased.
2. Increasing the level of the excise duties to the level imposed by the directives until 31 December 2006 would lead to the raise of the prices at a much higher pace than the purchase power increase.
3. Increasing the level of the excise duties to the level imposed by the directives until 31 December 2006 would lead to the closing of certain alcohol and alcoholic beverages producing undertakings, the reducing the number of personnel in this field and an increase in unemployment.
4. The raising of the smuggling in this field, in the case of a rapid increase of the excise duty, will determine an increase in the administration costs of this duty if this phenomenon has already urged Romania to adopt certain measures for the fiscal supervision of the alcohol and alcoholic beverages production, measures that have caused an important increase of these costs.

Romania will ensure gradual increase in the level of the excise duties for alcohol and alcoholic beverages, while strengthening the measures of fiscal supervision, the decreasing of smuggling and tax evasion.

Until 31 December 2006, the level of the excise duty will increase by 40% of the current difference between the Romanian excise duty level and the Community level. The level will be fully harmonised by 31 December 2011.

Emergency Government Ordinances will amend the legislation on the excise duties in order to comply with the European legislation.

(Source: www.mie.ro Negotiation Chapter 10: Taxation Brussels, 24 July 2001)

In Romania the excise duty on beer is nowadays calculated per hectolitre per degree Plato (Plato degree represents the sugar quantity in grams within 100 g of solution measured at origin, at a temperature of 20°/4°C) of alcohol. The excise duty on wine is based on hectolitre of the product in two different categories whether the beverage is still or sparkling. For fermented beverages other than wine and beer, the excise duty is set per hectolitre of the product in two different categories whether the beverage is still or sparkling. For intermediate products the excise duty is calculated per hectolitre of the product. For distilled spirits the excise duty is set per hectolitre of pure alcohol.

In 1993, as well as in 1994, the excise duties were applied as a percentage quota calculated on a specific tax base (internal production, importation etc).

The excise duty for beer was 1.50 Euro per hectoliter per 1 alcoholic degree (hl/1 alcoholic degree= alcoholic concentration in volume %, respective 1%) in 2000, and in 2002, the excise duty was 0.50 Euro per hectolitre per degree Plato, increasing by 2003 with 10% and by to 2005 with 48%, to 0.74 Euro per hectolitre per degree Plato.

The excise duty rate for wine was 2.75 Euro per hectoliter per 1 alcoholic degree in 2000, 2.80 Euro per hectoliter per 1 alcoholic degree in 2002. In 2003 the excise duty for wine was based on hectolitre of the product and it represented 42 euro, decreasing by 2005 to 34.05 hectolitre of the product.

For fermented beverages other than wine and beer, the excise duty was in 2003 42 Euro per hectolitre of the product, decreasing as for the wines, by 2005 to 34.05 hectolitre of the product.

For intermediate products the excise duty was 45 Euro per hectolitre of the product in 2003, increasing by 2005 with 13.5% to 51.05 Euro per hectolitre of the product. For distilled spirits the excise duty was 150 Euro per hectolitre of pure alcohol in 2003, 280 Euro per hectolitre of pure alcohol at the end of 2004, increasing by March 2005 with 66% to 465.35 Euro per hectolitre of pure alcohol.

The Law no.571/2003 regarding the Fiscal Code, at Chapter 5. Common dispositions of surveillance applied to alcohol, distilled spirits production and importation foreseen at art. 238 the settlement of certain minimum prices for marketing the alcohol, distilled spirits and distilled alcoholic beverages on the internal market through a protocol signed by the representatives of the alcohol producers associations, sent to Ministry of Public Finances and published in the Official Journal. This would forbid the marketing, on the internal market, of the alcoholic beverages at lower prices than those established in the protocol. Such a protocol (no.12) was signed on 15 September 2004 and published in the Official Journal no.958/19 October 2004. Competition Council requested to the Ministry of Public Finances the cancellation of the article no.238 of the Law no.571/2003 regarding the Fiscal Code for the following reasons: it does not respects the free competition principle and it creates the legal framework for a producers agreement on a minimum and uniform level of the price, with harmful effects on the competition environment, through the elimination of the price competition. The Competition Council approach ended by the cancellation of art.238 through the Law no.494/12.11.2004.

8. Alcohol advertising and sponsorship

Romanian consumers remained price sensitive, but product availability and advertising were both strong tools in raising brand awareness over the last years. Strong competition among beer manufacturers makes alcoholic drinks one of the most dynamic markets in Romania. An indication of the strength of competition is the level of the advertising expenditure, amounting to more than US\$38 million for beer alone. Advertising for wine and spirits also increased sharply in the last two years, especially for new brand launches.

Most of the beer advertising focused on promotions. Cars, dwellings and money were the main rewards used by manufacturers in order to seduce consumers. On the other hand, spirits and wine advertising was mainly used for raising brand awareness. The ranking of leading manufacturers was generally a reflection of their advertising efforts. The most advertised brands were generally the leading brands, such as SAB's Ursus, Interbrew's Bergenbier and Brau Union's Golden Brau and Ciuc. Growth in advertising for economy lager like Noroc and Bucegi was due to consumers' declining purchasing power.

Few important brands and products were launched in the final two years. Brand extensions of existing brands were the main focus in spirits development and proved more successful than new brands. As it accounts for the largest share of spirits sales and is perceived as more sophisticated, vodka benefited from the most numerous new launches. At the same time, wine made important steps towards branding, which increased recognition and created room for differentiation among manufacturers and brands.

New brands were launched in beer, with its prominent presence of strong multinationals capable of supporting launches with advertising and good distribution. The main launches were in the premium category, such as Brau Union's Gösser, Interbrew's Beck's and SABMiller's Holsten. As a fast-growing category, economy lager also benefited from new launches, especially in plastic bottles packaging, which proved more convenient for both consumers and distributors.

Within off-trade channels, "others" and independent food stores dominate. "Others" are mainly kiosks, market stalls and wholesale warehouses. These proved popular due to their low prices and convenience, but also because of their sale of fakes and illegally-manufactured spirits and wine. Independent food stores continue to be popular for sales of alcoholic drinks in both urban and rural areas, where price sensitivity is high, and are particularly strong in sales of cheap local drinks and also some unofficial imports. Meanwhile, supermarkets/hypermarkets became more important, especially in large urban areas, due to their growing numbers and the increasing preference among consumers for one-stop shopping. The expected joining of the EU by 2007 will bring about important changes in the alcoholic drinks market as Romania will have to apply the same legislation as the EU.

Advertising of alcohol beverages is regulated by the Advertising Law no.148/2000, which transpose certain European Unions Rules and Regulations in the field. It states that

advertising of alcohol beverages is forbidden within education institutions and medical care units or under 200m of their entrance on a public road.

Also, the advertising of alcohol beverages is not allowed in publications for minors, in show halls before, during or after shows dedicated to minors. It is forbidden also any advertisement which addresses directly to minors or shows minors consuming these products. The advertisement which suggests that these products present therapeutic properties or have sedative or stimulant effect or can solve personal problems and gives a negative image about abstinence is also ban.

Advertising of distilled spirits is allowed in Romania only through magazines and newspapers, television and radio. It is forbidden the explicit advertisement on the first and on the last page of a publication, as well as on the travel tickets.

Decision no. 254 of 5th of July 2004 regarding the advertising, sponsorship and teleshopping was issued taking into account the harm done to minors by alcohol consumption and the fact that from the statistics published by the public and private institutions, it results a raise both of the alcohol consumption among the minors and of the alcoholic distilled beverages advertising. This act forbids, within the television programmes, any kind of advertising of the distilled spirits in the hour interval of 6,00-22,00. For the broadcasts, it is forbidden the advertising of the distilled spirits as follows: between 6,00 - 8,00 and 10,00 – 22,00, from Monday to Friday and between 6,00 – 22,00 on Saturday and Sunday. There are also not allowed the followings:

- the advertising of the alcoholic beverages that promote violent, aggressive or anti-social behaviors or attitudes,
- the advertisements with minors,
- the sport transmissions sponsored by distilled spirits producers
- the transmission between 6,00 hours and 23,00 hours of the emissions sponsored by companies whose name or brand are identical with the name or the brand of alcoholic beverages
- within the competitions, the offer of prizes sponsored by alcohol producers companies

The spots that promote distilled spirits will end with the warning, audio and visual: “The excessive alcohol consumption seriously harm the health status”

9. Restrictions on alcohol consumption in specific situations

9.1 Drink-Driving legislation

Romania has a long tradition in banning the driving under the influence of alcohol. A driver must have no alcohol in his blood in order to comply with the legislation. Since 1965 the Road Traffic Code stipulated that a blood alcohol concentration over 0 but under 1mg/ml will be considered an offence and will be punish by fine and temporary suspension of the license up to three months. Over 1 mg/ml was considered a crime and

was punished with imprisonment of up to 3 months. The 2004 Road Traffic Code of 2003 was more severe, despite public opinion, lowering the crime limit to 0.8 mg/ml.

Random Breath Testing is rarely performed. Police usually do not stop drivers to ask for a breath test if no violation of the traffic rules were observed. But, if a driver is asked to pull over for any traffic violation (e.g. reckless driving, over-speeding) and appears to be under the influence to the policeman, a breath test is performed. If positive the driver is asked to come to a special medical center where authorized physicians can obtain seriated blood and urine from the driver. The biological samples are obtained with approved devices and stored in special containers. It is illegal for the physician to use un-approved devices and containers. The driver must provide consent to taking the blood and urine. The driver has the right to refuse to provide the biological samples, but in this case it will be considered positive. Breath tests and serial blood and urine alcohol concentrations must be taken in case of accidents with injured / dead victims, even if the driver does not appear to be under the influence. If the driver refuses to take the tests, a concentration above 0.8 mg/ml will be reported and aggravating circumstances will be considered in case of criminal trial. The victims of road accidents also must provide blood and urine for testing, with consent.

Restrictions on alcohol consumption in different public domains

The consumption of alcohol is restricted in public buildings and transportation. That means health care facilities, governmental or local administration buildings, education facilities and workplaces. There is also a ban on alcohol consumption on the streets, but is rarely necessary for the police to intervene since it is consider by the public opinion to be very degrading for a person to walk on the street and drink alcohol at the same time.

Alcohol consumption (usually beer) is permitted in cinemas, concerts and open-air events at the discretion of the organizers. Police use to ask the pubs and shops in the area of the places of major sporting events not to sell alcohol on the day of the event. There were no reports of pubs / shops not complying with the request.

There are no restrictions of sale regarding hours or days. A license is necessary to sell alcohol in any form. There are no restrictions regarding the density of outlets of sale, but alcohol cannot be sold within 50 m of schools, churches and medical facilities. No alcoholic beverage can be sold to minors (under age of 18 years) and violation of this is subject to a substantial fine of up to the equivalent to 3,000 Euros.

10. Education and information

Little is done in the education system to combat alcoholism. Alcohol is ban in schools and currently the national program for health education is implemented and health education is becoming an optional course that any student can take (students have to take a certain number of optional courses).

Concurrently, teachers are aware of the potential harm by the alcohol and they speak to students when talking about healthy life-styles. There is a large focus on combating drugs and alcohol and tobacco issues are usually mentioned in relation with drugs. Messages addressed to young students refer to addiction problems, social issues, difficulties in finding or maintaining a job, family, friends and relationships, association of alcohol and violent behaviors that can lead to legal troubles and dangers arising from drinking and driving. They mention little or nothing about long term hazards to health, such as alcoholic hepatothopathy, cardio-vascular diseases.

The physicians do a large amount work for education and information. The greatest success is recorded in preventing drinking alcohol during pregnancy. That lead to low levels of pregnancy / neonates complications due to alcohol consumption in Romania.

Within the National Health Programs, the Ministry of Health is coordinating the sub-program 1.5, including campaigns for information, education and communication in order to prevent the illicit consumption of drugs as well as alcohol and tobacco. The program is developed in co-operation with media and NGOs acting in the field of combating addictions. The Ministry of Health is coordinating the National Network for Health Promotion, made up of 42 Compartments for health promotion and health education programs within the County Public health Directorates.

Public information about the alcohol hazards is mainly by TV and radio advertising. Each group of commercial breaks that contains alcoholic beverage advertising must end with the warning "Excessive alcohol consumption seriously damages health". Manufacturers associations protested, arguing that excessive consumption of anything can damage the health, but the National Committee for Audio-Visual did not change the regulation.

Also on TV and newspapers, road accidents caused by drunk driving are largely mediated, leading to a permanent awareness of the public. Daytime TV shows are very popular and they usually present cases of people who lost their jobs and families as a negative example.

11. Public opinion

Romania has a large tradition of alcoholic beverages. Alcohol is the central issue in the first known mass punishment on the actual territory of Romania. About 2070 years ago, Burebista, the first king of the getic tribes, after losing a war against Romans, punished his people by burning off the vineyards and banning the wine for seven years. It was a successful method to motivate the his warriors since they succeeded in the years to come to defeat the Roman army.

Most of the people, especially in the rural areas, consider every day drinking as a natural life style. They make their own wine and spirits and think that if the alcohol is manufactured without additives then it is natural and healthy. In their opinion is good to drink every day many drinks as long as you do not get drunk (and the drunkenness

threshold increases by time). They are usually very surprised when diagnosed, for example, with alcoholic liver cirrhosis in their fifties.

At the same time, it is considered very degrading to “lose your mind” in alcohol and to engage in violent acts, such as domestic violence. In these rural areas public opinion is more tolerant to alcoholic men than women.

There were reports of baby-sitters who put infants to sleep by giving them to suck a handkerchief moist in alcohol. When questioned they didn't realize the harm done since they administered something natural, not medicines.

In urban areas drinking is mostly seen as an entertainment and socializing pretext. People drink in pubs with friends after working hours. They drink at home too, because drinking at home can be 2-3 times cheaper.

Youth drinking is very common, as shown above in the 2003 ESPAD results. Alcohol consumption is often associated with freedom from parental / school restraints, bravery, macho / cool behavior and music / entertainment. The proportion of youngsters drinking alcohol is steady and many of them will not become chronic alcohol consumers after teen-age years. However, many adolescents are at high risk for alcoholism when combining with drugs and smoking in multiple addiction.

An idea that is deeply rooted in the public knowledge is that alcohol cannot be mixed with antibiotics of any type and even small amounts can lead to serious health complications. Even this is obviously not true for all the antibiotic classes, no physician is trying to explain the truth to the patients, simply because this common belief will decrease the alcohol consumption.

The public opinion does not favor the continuous increase in taxes of alcohol and the ban on home manufacture of alcohol with artisanal devices. The increase in taxes showed no decrease in alcohol consumption but only provided supplementary money to state budget.

12. NGOs

There are numerous NGOs in Romania. Few of them developed projects addressed to alcohol. Alcohol issues are usually linked to multiple health hazards or multiple addiction. Compared to projects developed for HIV/AIDS/STDs, tobacco and drugs, alcohol is clearly un-favored.

Alcoholics Anonymous began their first group in Romania 10 years ago. Now they have many groups in 21 cities and growing. They have offered a new life for many alcoholics who succeed in quitting alcohol. There are estimates that groups have thousands of members countrywide.

“Christiana” Foundation, under the leadership of the Archbishop of the Romanian Orthodox Church in Cluj provides free medical care through its own clinics out of Christian mercy. They have developed a project called “Saint Dimitrie Basarabov” which has similarities to the AA program but the alcoholic is helped to find the strength to quit through Christian belief. The coordinator of this project is Franz Floyd – 10, Ion Nestor St, Cluj Napoca.

The Bacau Foundation for Community Help organized in cooperation with The Daytop Village Foundation (USA) a workshop “Treatment of addictions within therapeutic communities – The Self Help Social Learning Treatment Model”

The Alliat NGO (www.cria.ro) is an association of mental health professionals acting in the field of addictions since 1993. Alliat and the Jellinek Institute (Amsterdam) developed a project called “Continuous education in addictions”. The main objective is to establish a national infrastructure for education and training regarding addictions to alcohol and drugs for professionals acting in the health system (specialized and general practitioners).

The Foundation for community care and social reintegration of the addicted persons provide free prevention and psychological therapies. The Association Orasul Sperantei (City of Hope) deals with the recovery, rehabilitation and social reintegration of endangered and street children and have programs against addictions.

13. Summary

Romania has a long tradition of producing alcoholic beverages. Among them wine, distilled spirits of fruits (plums, apples, pears) and liquors (sour cherries). Over the years an important industry developed and beer has become the dominant alcoholic beverage in recorded consumption. The policy in the field is trying to keep a balance between health and social problems caused by alcohol and the economic interest of the alcohol industry.

As a result a series of best practices in the European Union were implemented. Taxes had grown continuously (the last increase been planned to be enforced the day after this report will be submitted!). Production and sales require licensing. Alcohol cannot be sold to minors under 18. Other sales restrictions (sporting events, proximity of schools, churches and medical units) are enforced. Consumption restrictions in public places, buildings, transportation, work place are also implemented. Advertising is regulated, strong alcoholic beverages cannot be advertised during day-time, the alcohol consumption cannot be associated with children, driving and violent behavior and a health warning must be broadcast.

Alcohol medical associated problems are treated like any other diseases within the national health system. The insured persons receive appropriate treatment, which is paid

by the National House of Health Insurance. Cardio-vascular and liver diseases along with traffic accidents (the strongest alcohol based killers) receive priority from the health system and supplementary national programs are implemented.

The social aspects of alcohol consumption are indirectly addressed as the Government has adopted and implemented numerous legislative measures to reduce domestic violence and to help social reintegration of un-favored persons and/or persons at risk.

Drinking and driving has one of the most severe regulations in Europe, since no alcohol is allowed to drive and driving with a BAC of >0.8 mg/ml is a criminal offence punishable by imprisonment.

The public is not aware as should be about the hazards of alcohol consumption. The general perception is that daily amounts of alcohol are unharmed as long as one stays sober. Little is done to change this perception since NGOs use to get involved in other types of health issues, deal with other types of addiction and address the complication of alcoholism instead of prevention. There is a lack of coherent and dedicated nation wide coalition to better alcohol control, separate budget is nor available for developing alcohol policies and harm prevention. More should be done in personnel training, public awareness and implementing prevention policies in education facilities.

Romanian status of alcohol policy can be summarize as below (source www.who.org):

| Romania | | Beverage categories | | |
|--|---|--------------------------------------|------------|---------|
| | | Beer | Wine | Spirits |
| Control of retail sale and production | Monopoly on production of | NO | NO | NO |
| | Monopoly on sales of | NO | NO | NO |
| | License for production of | YES | YES | YES |
| | Licence for sale of | YES | YES | YES |
| Off-premise sales restrictions and level of enforcement | Hours of sale | NO | NO | NO |
| | Days of sale | NO | NO | NO |
| | Places of sale | YES | YES | YES |
| | Density of outlets | NO | NO | NO |
| | Level of enforcement | NOT | | |
| Age limit for purchasing alcoholic beverages | On-premise: | 18 | 18 | 18 |
| | Off-premise: | 18 | 18 | 18 |
| Taxation of alcoholic beverages | Sales TAX/VAT exists? | YES | | |
| | % sales TAX/VAT | 19 | | |
| | Tax EUR / M.U. | 0.5-0.6 | 0.00-42.00 | 280.00 |
| | Excise stamps exist? | YES | | |
| Restrictions on advertising | National television | YES | YES | YES |
| | National radio | YES | YES | YES |
| | Print media | NO | NO | NO |
| | Billboards | NO | NO | NO |
| | Health warning on advertisements | YES | | |
| | Enforcement of advertising and sponsorship restrictions | Yes, some restrictions for ads on TV | | |
| Restrictions on sponsorship of | Sports events | NO | NO | NO |
| | Youth events | NO | NO | NO |
| Restrictions on alcoholic beverage consumption in public domains | Health care establishments | BAN | | |
| | Educational buildings | BAN | | |
| | Government offices | BAN | | |
| | Public transport | BAN | | |
| | Parks, streets, etc. | BAN | | |
| | Sporting events | BAN | | |
| | Leisure events (concerts, etc.) | NO | | |
| | Workplaces | BAN | | |
| Definition of alcohol, BAC level and RBT | Definition of alcohol (vol. %) | 0 | | |
| | Maximum Blood Alcohol Concentration (BAC) level | 0 | | |
| | Use of Random Breath Testing (RBT) | RARELY | | |

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